

August 1, 2021

Ms. Ann E. Misback
Secretary, Board of Governors
Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

RE: Debit Card Interchange Fees and Routing (Docket No. R-1748, RIN 7100-AG15)

Dear Ms. Misback,

On behalf of Chartway Federal Credit Union's 191,700 members, we appreciate the opportunity to provide comments to the Federal Reserve on a proposal to amend Regulation II. We understand the purpose of the amendment is to clarify the requirement that each debit card transaction must be able to be processed on at least two unaffiliated payment card networks as it applies to card-not-present transactions, clarify the requirements that Regulation II imposes on debit card issuers to ensure that at least two unaffiliated payment card networks have been enabled for debit card transactions, and clarify and standardize the use of certain terminology.

We appreciate the Federal Reserve's willingness to listen to our credit union's position on this proposal and the impact these changes will make on the industry and our members.

Observations & Comments

Chartway opposes the proposed rule changes to Regulation II and does not agree with the overall premise of the amendment. In our opinion, the proposed ruling should not proceed due to the following:

- **Complexity** – The Federal Reserve's proposal imposes a new functional responsibility on the issuer to ensure “at least two unaffiliated payment card networks” when a debit card can be used to process an electronic debit transaction. There is no way to know which networks are accepted at which merchants and no resource identifying all the merchants that process transactions on a particular network. Moreover, payment services such as Square add to the complexity of the issue.
- **Compliance** – Additionally, the issuer could be at risk of non-compliance with this proposal if the reason two unaffiliated routing options are unavailable is a result of actions taken by parties other than the issuer, including decisions made by the merchants or the network.
- **Fraud** - By requiring issuers to “ensure” merchants always have two routing options, issuers could be required to take all transactions, including suspicious ones, driving up fraud and increasing the risk to consumers. Issuers would have to support acceptance regardless of whether their secondary networks provide adequate fraud or risk controls at that merchant or for the types of transactions initiated at such merchants.
- **Income** – There is potential for a quantifiable loss of interchange revenue as merchants choose the less costly payment network. Increased cost, combined with a decrease in income, undermines credit unions' ability to offer their members affordable products and services and reduces the opportunity to assist underserved consumers and markets.

- **Overall Risk** - The security of single message PIN-less payment networks has not been sufficiently evaluated and the cost of preventing fraud will increase. It takes a tremendous amount of resources, expertise, and continued investments in cybersecurity to operate in the eCommerce space and prevent fraud and cyberattacks. Managing risk is not performed at the highest level by every network available today nor will it be by those introduced into the system if the ruling is changed.

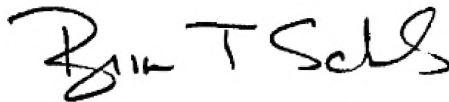
We strongly believe the proposed rule is a major regulatory undertaking that fundamentally rewrites Regulation II and rescinds the current guidance. The full impact of the proposed rule cannot be determined without extensive research by the Federal Reserve and examination by credit unions to calculate the impact on the costs, services, and revenues. Most importantly, we see no applicable benefit or value to consumers.

In closing, thanks for allowing us the opportunity to present our comments and we look forward to your favorable consideration.

Respectfully,



Capt. George E. Sauer, III, USN Ret.
Chair



Brian T. Schools
President & CEO

cc: Chartway Board of Directors
Ryan Donovan, Credit Union National Association (CUNA)
Anthony Demangone, National Association of Federally Insured Credit Unions (NAFCU)
Larry Fazio, National Credit Union Administration (NCUA)
John Kutchev, National Credit Union Administration (NCUA)
Carrie Hunt, Virginia Credit Union League
Scott Simpson, Utah Credit Union Association